

## Appendix 4D

### Half-year Report Six Months Ended 31 December 2008

Name of entity

**ALE PROPERTY GROUP**

ABN or equivalent company reference

**Australian Leisure and Entertainment Property Management Limited ABN 45 105 275 278  
and Australian Leisure and Entertainment Property Trust ARSN 106 063 049**

Half yearly (tick)	Preliminary final (tick)	Half-year ended ('current period'):
✓		<b>31 December 2008</b> (previous corresponding period 31 December 2007)

#### Results for announcement to the market

	<b>6 months to 31 December 2008</b>	6 months to 31 December 2007	Variance %
	<b>A\$'000</b>	A\$'000	
Revenue	<b>30,476</b>	26,042	17.0%
Profit from ordinary activities after income tax, attributable to security holders	<b>(48,935)</b>	19,660	(348.9%)
Profit before income tax, fair value adjustments, amortisation of prepaid costs and other non-cash items	<b>17,135</b>	9,253	85.2%
Total available for distribution	<b>17,135</b>	15,279	12.1%
Distribution payable for the half-year	<b>13,000</b>	14,439	(9.9%)
Available and undistributed at the half-year	<b>4,135</b>	840	392.3%

#### Dividends (distributions)

	<b>6 months to 31 December 2008</b>	6 months to 31 December 2007	Variance %
	<b>Cents</b>	Cents	
December half-year interim distribution	<b>15.00</b>	16.75	(10.4%)
Franked amount per share	<b>0.00</b>	0.00	-
Record date for determining entitlements to the distribution	<b>31 December 2008</b>		

### Net tangible assets per security

	6 months to 31 December 2008	6 months to 31 December 2007	Variance %
Net tangible assets per security	<b>\$2.36</b>	\$3.40	(30.6%)
Net assets per security, excluding fair value of derivatives	<b>\$2.84</b>	\$3.21	(11.5%)

### Explanation of results

#### Brief explanation of results

- Revenue has increased by 17% due to:
  - Profit on sale of Parkway Hotel of \$1.911 million;
  - Weighted average portfolio gross rent reviews (exclusive of Queensland land tax) increases of 5.07% in November 2007 and 2.13% in November 2007 and property acquisitions during the period;
  - Net rent reviews (net of Queensland land tax) increased by 4.34% in November 2008 compared to 1.45% in November 2007.
  - Higher interest received due to higher cash balances and higher average bank deposit rates during six months to December 08. Significant portion of cash balances were placed into term deposits rates of 8% for the majority of the period.
- Profit after income tax has decreased by 348.9% due to reductions in the fair value of investment properties and derivatives.
- The decrease in net tangible assets per stapled security from \$3.40 to \$2.36 is primarily a result of reductions in the fair value of investment properties and derivatives.
- The distribution of 15.00 cents per security represents 75.9% of distributable free cash flow. The distribution is expected to be 96.3% tax deferred and 3.7% concessional capital gains tax.

### Reconciliation of loss after tax to amounts available for distribution

	A\$'000
Loss after income tax for half-year	(48,935)
Plus / (Less)	
Profit on sale of investment properties	(1,911)
Fair value decrement to investment properties	6,974
Fair value reduction in derivatives	52,327
Employee security based payments	68
Finance costs – non cash	18,349
Income tax benefit	(9,737)
<b>Total available for distribution</b>	<b>17,135</b>
Distribution payable	13,000
<b>Available and undistributed at the half-year</b>	<b>4,135</b>

### **Record date for determining distribution entitlement**

Record date for distribution entitlement	31 December 2008
Interim distribution will be paid	27 February 2009

### **Audit Status**

Independent auditor KPMG has completed a review of the accounts on which this report is based and provided an unqualified opinion.

A copy of the ALE Property Group 31 December 2008 Half-Year Financial Report with KPMG review opinion is attached.



**Half-Year Report 31 December 2008**

## **ALE Property Group (ALE)**

**Comprising Australian Leisure and Entertainment Property Trust and its controlled entities**

**ABN 92 648 441 429**

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# ALE Property Group

Half-Year Report for period ended 31 December 2008

## DIRECTORS' REPORT

The ALE Property Group ("ALE") comprises Australian Leisure and Entertainment Property Trust ("Trust") and its controlled entities including ALE Direct Property Trust ("Sub-Trust"), ALE Finance Company Pty Limited ("Finance Company") and Australian Leisure and Entertainment Property Management Limited ("Company") as the responsible entity of the Trust.

The registered office and principal place of business of ALE is:

Level 7  
1 O'Connell Street  
Sydney NSW 2000

The directors of the Company present their report, together with the consolidated half-year financial report of ALE, for the half-year ended 31 December 2008.

### Directors

The following persons were directors of the Company during the half-year and up to the date of this report unless otherwise stated:

Name	Type	Appointed
P H Warne (Chairman)	Independent non-executive	8 September 2003
J P Henderson	Independent non-executive	19 August 2003
H I Wright	Independent non-executive	8 September 2003
A F O Wilkinson (Managing Director)	Executive	16 November 2004
J T McNally	Executive	26 June 2003

### Principal activities

The principal activities of ALE consist of investment in property and property funds management. There has been no significant change in the nature of these activities during the half-year.

### Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of ALE that occurred during the half-year.

### Matters subsequent to the end of the financial half-year

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of ALE, the results of those operations, or the state of affairs of ALE, in future financial periods.

### Likely developments and expected results of operations

ALE will continue to maintain its defined strategy of identifying opportunities to increase the profitability of ALE and its value to its stapled security holders.

In accordance with the leases of its investment properties, ALE will receive increases in rental income in line with increases in the consumer price index. The directors are not aware of any other future developments likely to significantly affect the operations and/or results of ALE.

### Distributions and dividends

ALE has announced a policy of only paying distributions from free cash flow. Accordingly, a distribution for the half-year ended 31 December 2008 equal to 76% of ALE's free cash flow has been declared for distribution.

Trust distributions payable to stapled security holders for the half-year are as follows:

	31 December 2008 cents	31 December 2007 cents	31 December 2008 \$'000	31 December 2007 \$'000
Interim Trust income distribution for the year ending 30 June 2009 to be paid on 28 February 2009	15.00	9.76	13,000	8,413
Interim Trust ongoing distribution of fair value adjustments to investment properties for the year ending 30 June 2009 to be paid on 28 February 2009	-	6.99	-	6,026
<b>Interim Trust distribution</b>	<b>15.00</b>	<b>16.75</b>	<b>13,000</b>	<b>14,439</b>

No provisions for or payments of Company dividends have been made during the half-year (2007: nil).

# ALE Property Group

Half-Year Report for period ended 31 December 2008

## DIRECTORS' REPORT (continued)

### Review and results of operations

ALE recorded a loss of \$48.9 million for the half-year ended 31 December 2008. (31 December 2007: \$19.7 million profit).

The table below separates the cash components of profit/(loss) that are available for distribution from the non-cash components of profit/(loss). The directors believe this will assist stapled security holders in understanding the results of operations and distributions of ALE.

	31 December 2008 \$'000	31 December 2007 \$'000
<b>Profit / (Loss) after income tax for the half-year</b>	<b>(48,935)</b>	<b>19,660</b>
<b>Plus / (Less)</b>		
Profit on sale of investment properties	(1,911)	-
Fair value (increments)/decrements to investment properties	6,974	(9,458)
Fair value (gains)/losses to derivatives	52,327	(6,051)
Employee security based payments	68	127
Finance costs - non-cash	18,349	3,542
Income tax expense/(benefit)	(9,737)	1,433
<b>Adjustments for non-cash items</b>	<b>66,070</b>	<b>(10,407)</b>
<b>Profit after income tax adjusted for non-cash items</b>	<b>17,135</b>	<b>9,253</b>
Fair value gains to investment properties identified for distribution	-	6,026
<b>Total available for distribution</b>	<b>17,135</b>	<b>15,279</b>
Distribution paid or provided for	13,000	14,439
<b>Available and undistributed at the half-year</b>	<b>4,135</b>	<b>840</b>

	Note	Percentage Movement	31 December 2008 Cents	31 December 2007 Cents
<b>Earnings and distribution per stapled security:</b>				
Earnings available for distribution	9(d)	12%	19.77	17.72
Income distribution		54%	15.00	9.76
Ongoing distribution of fair value adjustments to investment properties		(100%)	0.00	6.99
Total distribution	9(e)	(10%)	15.00	16.75

### Summary of financial highlights for the December 2008 half-year:

Earnings available for distribution before fair value and other non-cash adjustments increased by 12.1% and income distribution increased by 85.2% compared to the December 2007 half-year.

Total distribution per stapled security decreased by 10.4% to 15.00 cents from 16.75 cents compared to the December 2007 half-year.

Investment property revaluations movements and property acquisitions decreased the portfolio value by 0.05% to \$819.9 million from \$820.3 million compared to June 2008 (excluding the Narrabeen Hotel which is subject to a conditional sale contract).

### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

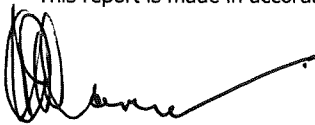
### **Environmental regulation**

Whilst ALE is not subject to significant environmental regulation in respect of its property activities, the directors are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements. At three properties ongoing testing and monitoring is being undertaken and minor remediation work is required, however, ALE is indemnified by third parties against any remediation amounts likely to be required.

### **Rounding of amounts**

ALE is an entity of the kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report and financial report have been rounded off in accordance with the Class Order to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the directors.



P Warne  
Director  
Sydney

Dated this 25th day of February 2009





***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Australian Leisure and Entertainment Property Management Limited, the Responsible Entity of Australian Leisure and Entertainment Property Trust:

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature of the KPMG firm, written in brown ink.

KPMG

A handwritten signature of Steve A Gatt, written in brown ink.

Steve A Gatt  
*Partner*

Sydney

25 February 2009

**ALE Property Group**

Half-Year Report for period ended 31 December 2008

**CONSOLIDATED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Note	31 December 2008 \$'000	31 December 2007 \$'000
<b>Revenue</b>			
Rent from investment properties	4	26,729	24,600
Profit on sale of investment properties		1,911	-
Interest from investment arrangements	4	838	1,001
Interest from cash deposits		998	441
<b>Total revenue</b>		<b>30,476</b>	<b>26,042</b>
<b>Other income</b>			
Fair value increments to investment properties		-	9,458
Fair value gains to derivatives	6	-	6,051
<b>Total other income</b>		<b>-</b>	<b>15,509</b>
<b>Total income</b>		<b>30,476</b>	<b>41,551</b>
<b>Expenses</b>			
Fair value decrements to investment properties		6,974	-
Fair value losses to derivatives	6	52,327	-
Finance costs - cash	5	8,705	14,793
Finance costs - non-cash	5	18,349	3,542
Queensland land tax expense		985	795
Other expenses	8	1,808	1,328
<b>Total expenses</b>		<b>89,148</b>	<b>20,458</b>
<b>Profit/(Loss) before income tax</b>		<b>(58,672)</b>	<b>21,093</b>
Income tax expense/(benefit)		(9,737)	1,433
<b>Profit/(Loss) after income tax</b>		<b>(48,935)</b>	<b>19,660</b>
<b>Profit/(Loss) attributable to the stapled security holders of ALE</b>		<b>(48,935)</b>	<b>19,660</b>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings/(losses) per stapled security	9(a)	(56.65)	22.50
Distribution per stapled security for the half-year	9(e)	15.00	16.75

*The above consolidated income statement should be read in conjunction with the accompanying notes.*

**RECONCILIATION OF DISTRIBUTIONS TO STAPLED SECURITY HOLDERS**

<b>Profit attributable to the stapled security holders of ALE</b>		<b>(48,935)</b>	<b>19,660</b>
<b>Adjustments for non-cash items</b>	9	<b>66,070</b>	<b>(10,407)</b>
<b>Profit after income tax adjusted for non-cash items</b>		<b>17,135</b>	<b>9,253</b>
Fair value adjustments to investment properties identified for distribution	9(g)	-	6,026
<b>Total available for distribution</b>		<b>17,135</b>	<b>15,279</b>
Distribution paid or provided for		13,000	14,439
<b>Available and undistributed at the half-year</b>		<b>4,135</b>	<b>840</b>

Basic and diluted earnings per stapled security before fair value, income tax and other amounts is disclosed in Note 9 of this financial report.

# ALE Property Group

Half-Year Report for period ended 31 December 2008

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	31 December 2008 \$'000	30 June 2008 \$'000
<b>Current assets</b>			
Cash and cash equivalents	10	29,158	8,527
Receivables		2,643	1,906
Current tax asset		1	1
Other		1,124	563
<b>Total current assets</b>		<b>32,926</b>	<b>10,997</b>
<b>Non-current assets</b>			
Investment properties	11	819,990	820,270
Loans and deposits - investment properties	12	8,945	22,127
Derivatives	7	48,009	19,064
Plant and equipment		110	111
Deferred tax asset		5,579	1,164
<b>Total non-current assets</b>		<b>882,633</b>	<b>862,736</b>
<b>Total assets</b>		<b>915,559</b>	<b>873,733</b>
<b>Current liabilities</b>			
Payables		6,296	7,870
Borrowings	13	-	8,450
Provisions		13,037	14,497
Other		-	201
<b>Total current liabilities</b>		<b>19,333</b>	<b>31,018</b>
<b>Non-current liabilities</b>			
Borrowings	13	601,655	564,593
Derivatives	7	89,582	8,309
Deferred tax liability		568	5,890
<b>Total non-current liabilities</b>		<b>691,805</b>	<b>578,792</b>
<b>Total liabilities</b>		<b>711,138</b>	<b>609,810</b>
<b>Net assets</b>		<b>204,421</b>	<b>263,923</b>
<b>Equity</b>			
Contributed equity	14	62,755	60,384
Retained profits	15	141,383	203,318
Reserve		283	221
<b>Total equity</b>		<b>204,421</b>	<b>263,923</b>

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

# ALE Property Group

Half-Year Report for period ended 31 December 2008

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	31 December 2008 \$'000	31 December 2007 \$'000
<b>Total equity at the beginning of the half-year</b>		<b>263,923</b>	<b>305,921</b>
Profit/(Loss) for the half-year		(48,935)	19,660
<b>Total recognised income and expenses for the half-year</b>		<b>(48,935)</b>	<b>19,660</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>			
Employee security based payments		62	127
Stapled securities issued		2,371	-
Stapled securities purchased and cancelled		-	(18,394)
Distribution paid or payable	9	(13,000)	(14,439)
		<b>(10,567)</b>	<b>(32,706)</b>
<b>Total equity at the end of the half-year</b>		<b>204,421</b>	<b>292,875</b>

*The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.*

# ALE Property Group

Half-Year Report for period ended 31 December 2008

## CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	31 December 2008 \$'000	31 December 2007 \$'000
<b>Cash flows from operating activities</b>			
Receipts from tenant and others		26,729	24,899
Payments to suppliers and employees		(5,081)	(1,938)
Interest received		1,203	1,249
Borrowing costs paid		(8,772)	(15,149)
<b>Net cash inflow from operating activities</b>	16	<b>14,079</b>	<b>9,061</b>
<b>Cash flows from investing activities</b>			
Investment property acquisitions		-	(35,320)
Investment property additions		(9)	-
Proceeds from disposal of properties		8,408	-
Payments for plant and equipment		(22)	(101)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>8,377</b>	<b>(35,421)</b>
<b>Cash flows from financing activities</b>			
Borrowing establishment costs paid		(286)	(416)
Repayment of borrowings		(8,450)	-
Proceeds from borrowings		19,000	46,000
Stapled securities purchased under buyback programme		-	(18,394)
Distributions paid		(12,089)	(15,251)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(1,825)</b>	<b>11,939</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>20,631</b>	<b>(14,421)</b>
Cash and cash equivalents at the beginning of the half-year		8,527	24,765
<b>Cash and cash equivalents at the end of the half-year</b>	10	<b>29,158</b>	<b>10,344</b>

*The above consolidated cash flow statement should be read in conjunction with the accompanying notes.*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****Note 1 Statement of Compliance**

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by ALE during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**Note 2 Significant accounting policies**

The accounting policies applied by ALE in this consolidated interim financial report are the same as those applied by ALE in its consolidated financial report as at and for the year ended 30 June 2008.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**Note 3 Estimates**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2008.

	<b>31 December 2008 \$'000</b>	<b>31 December 2007 \$'000</b>
<b>Note 4 Rent from investment properties and interest from investment arrangements</b>		
Rent from investment properties	26,729	24,600
Interest from investment arrangements	838	1,001
	<u><b>27,567</b></u>	<u><b>25,601</b></u>

The weighted average interest from investment arrangements as a percentage of investment property loans, deposits and costs equated to a yield of 9.09% (2007: 9.20%).

All of ALE's investment property lease rentals and interest from investment arrangements are reviewed to State based CPI annually and are not subject to fixed increases.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

		31 December 2008 \$'000	31 December 2007 \$'000
<b>Note 5</b>	<b>Finance costs</b>		
	<b>Finance costs - cash</b>		
	Capital Indexed Bonds (CIB)	2,328	2,250
	Commercial Mortgage Backed Securities (CMBS)	3,096	6,576
	ALE Notes	1,945	5,494
	National Australia Bank Facility (NAB)	1,216	346
	Other expenses	120	127
	(a)	<u>8,705</u>	<u>14,793</u>
	<b>Finance costs - non-cash</b>		
	CIB - accumulating indexation	4,299	1,685
	CPI Hedge - CMBS borrowings - accumulating indexation	6,632	777
	CPI Hedge - ALE Notes/NAB Facility borrowings - accumulating indexation	6,131	-
	Amortised costs - CMBS & CIB	119	102
	Amortised costs - NAB facility	131	25
	Amortised costs - CPI Hedges	2	-
	Amortised costs - ALE Notes	782	718
	Amortised costs - ALE Notes premium	253	235
		<u>18,349</u>	<u>3,542</u>
	<b>Finance costs (cash and non-cash)</b>	<u>27,054</u>	<u>18,335</u>

- (a) The above amounts represent net cash finance costs after derivative payments and receipts.
- (b) Other borrowing costs such as rating agency fees and liquidity fees.
- (c) Establishment costs of the various borrowings are amortised over the period of the borrowing on an effective rate basis.
- (d) Premium of \$3.750 million payable on maturity of ALE Notes is accruing over the period of November 2003 to September 2011 on an effective rate basis.
- (e) The finance costs in respect of the CIB comprise the interest coupon payable at 3.4% and the accumulated indexation payable on maturity based on the actual consumer price indexes relevant to the reporting period.

In reconciling profit after tax to amounts available for distribution to stapled security holders the non-cash finance costs have been added back thereby recognising that their non-cash nature increases the amounts available for distribution. (Note 9 contains further information)

	31 December 2008 \$'000	31 December 2007 \$'000
<b>Note 6</b>	<b>Fair value adjustments to derivatives</b>	
	Interest rate swaps fair value net gain	969
	CPI Hedge fair value net gain/(loss)	(66,009)
		<u>5,082</u>
		<u>(52,327)</u>
		<u>6,051</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Note 7 Derivative assets / (liabilities)</b>		
Asset	48,009	19,064
(Liability)	(89,582)	(8,309)
<b>Net asset / (liability)</b>	<b>(41,573)</b>	<b>10,755</b>

During the period the net value of ALE's derivatives reduced by \$52.327 million.

**(a) Instruments used by the Group**

ALE uses derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and the consumer price index in accordance with the Group's financial risk management policies. As at balance date ALE has hedged all borrowings through the use of CPI Hedges. In addition to CPI Hedges, interest rates on certain floating rate borrowings had previously been subject to interest rate swaps. Following the implementation of the CPI Hedges the interest rates swaps were no longer required and have been counter swapped. Interest rate swaps and CPI Hedges are carried on the consolidated balance sheet at fair value. Changes in the mark to market fair value of these derivatives are recognised in the consolidated income statement.

The following summarises the derivative financial instruments in place over current borrowings.

*Interest rate swap contracts and counter swaps*

Prior to 7 December 2007, ALE had in place interest rate swap contracts to cover 100% of interest payments on the \$245 million CMBS. Under these swap contracts ALE is obliged to receive floating rate interest and pay fixed rate interest. On 7 December 2007 contracts were entered into which offset (on a Group basis) the pre-existing swap contracts for interest on the \$245 million CMBS. ALE will continue to receive payments until 2015 arising from the difference between fixed rates payable and fixed rates receivable in respect of the offsetting swaps.

Prior to 9 July 2008, ALE had in place interest rate swap contracts to cover 100% of interest payments on the \$55 million NAB Facility. Under these swap contracts ALE is obliged to receive floating rate interest and pay fixed rate interest. On 9 July 2008 and 1 August 2008 contracts were entered into which offset (on a Group basis) the pre-existing swap contracts for interest on the \$55 million NAB Facility. ALE will continue to receive payments until May 2015 on \$19 million and until May 2018 on \$55 million arising from the difference between fixed rates payable and fixed rates receivable in respect of the offsetting swaps.

On 9 July 2008, ALE put in place an interest rate swap to counter swap 100% of the fixed interest payments on the \$150 million ALE Notes borrowings. Under the swap contract ALE is obliged to receive fixed interest and pay floating interest.

*Interest rate swap contracts - CPI Hedge*

Since 7 December 2007, ALE has had a 16 year CPI Hedge in place in respect of the \$245 million of floating rate CMBS. Under the hedge ALE receives floating interest rates plus a margin of 0.2575% and pays a fixed rate of 3.61% on a balance escalating with CPI until November 2023. The CPI Hedge indexation is calculated with reference to the national CPI. The indexation that accumulates is added to the notional balance of the CPI Hedge. The accumulated indexation is payable by ALE on maturity of the CPI Hedge which is scheduled for November 2023. The hedge counterparty has a right to break the hedge such that the accumulated indexation and any mark to market revaluation amount may become payable in December 2012 or December 2017. During the half-year ending 31 December 2008 \$4.092 million (2007: \$0.639 million) of net swap interest from the CPI Hedge was received/receivable.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 7 Derivative assets / (liabilities) (Continued)**

In July 2008 and August 2008, an additional CPI Hedge was established totaling \$205 million in two tranches in respect of the \$150 million ALE Notes and the \$55 million NAB Facility. A real base interest of 3.77% p.a. applies to the CPI Hedge and is settled quarterly with the notional balance of the CPI Hedge escalating quarterly in line with the national CPI. The indexation that accumulates is payable by ALE on the maturity of the CPI Hedge which is scheduled for May 2023 (or at any of the earlier five year extension dates). The hedge counterparty has a right not to extend the hedge such that the accumulated indexation and any mark to market revaluation amount may become payable in May 2013 or May 2018. During the half-year ending 31 December 2008 \$3.946 million (2007: \$Nil) of net swap interest from the CPI Hedge was received/receivable.

The notional principal amounts and periods of expiry of the interest rate swap and CPI Hedge contracts at balance date are as follows:

	<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
Less than 1 year	-	-
1 - 2 years	-	-
2 - 3 years	-	-
3 - 4 years	-	36,000
4 - 5 years	-	-
Greater than 5 years (See * below)	450,000	245,000
	<u>450,000</u>	<u>281,000</u>

\* The periods of expiry shown assume the rights not to break and rights to extend are exercised by the hedge counterparties. Refer to "Interest Rate Swap Contracts - CPI Hedge" on page 11 for further details.

The above notional amounts do not include the accumulation indexation associated with the CPI Hedges.

The swap and hedge contracts require settlement of net interest receivable or payable on a quarterly basis. The settlement dates coincide with the dates on which interest is payable on the underlying CMBS. The contracts are settled on a net basis.

Assuming rights not to break and rights to extend are exercised by the hedge counterparties, the average weighted term of the interest rate hedges and fixed rate securities in relation to the total borrowings of ALE has increased from 11.7 years at 30 June 2008 to 14.7 years at 31 December 2008.

The gain or loss from marking to market the interest rate hedges (derivatives) at fair value is taken directly to the consolidated income statement. In the half-year ended 31 December 2008 a reduction in value of \$52,327,000 was transferred to the profit and loss (2007: increase in value of \$6,051,000).

	<b>31 December 2008 \$'000</b>	<b>31 December 2007 \$'000</b>
<b>Note 8 Other expenses</b>		
Salaries, share based payments, fees and related costs	730	716
Annual Reports	100	53
Auditors' remuneration	76	34
Depreciation expense - plant & equipment	23	26
Insurance	35	36
Legal fees	376	99
Occupancy costs	57	52
Professional services	73	45
Registry fees	63	61
Staff training	15	16
Taxation services	13	12
Travel and accommodation	11	17
Trustee and custodian fees	66	69
Other expenses	170	92
	<u>1,808</u>	<u>1,328</u>

# ALE Property Group

Half-Year Report for period ended 31 December 2008

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

		31 December 2008 \$'000	31 December 2007 \$'000
<b>Note 9 Distributions</b>			
Reconciliation of profit/(loss) after tax to amounts available for distribution:			
<b>Profit after income tax for the half-year</b>	(a)	<b>(48,935)</b>	<b>19,660</b>
<b>Plus /(Less)</b>			
Profit on sale of investment properties		(1,911)	-
Fair value (increments)/decrements to investment properties		6,974	(9,458)
Fair value net (gains)/losses to derivatives		52,327	(6,051)
Employee security based payments		68	127
Finance costs - non-cash		18,349	3,542
Income tax expense/(benefit)		(9,737)	1,433
<b>Adjustments for non-cash items</b>		<b>66,070</b>	<b>(10,407)</b>
<b>Profit after income tax adjusted for non-cash items</b>	(b)	<b>17,135</b>	<b>9,253</b>
Fair value gains to investment properties identified for distribution	(c)	-	6,026
<b>Total available for distribution</b>	(d)	<b>17,135</b>	<b>15,279</b>
Distribution paid or provided for	(e)	13,000	14,439
<b>Available and undistributed at the half-year</b>	(f)	<b>4,135</b>	<b>840</b>
		<b>Number of Stapled Securities On Issue</b>	<b>Number of Stapled Securities On Issue</b>
	<b>Note</b>		
Weighted average number of stapled securities used as the denominator in calculating earnings per stapled security at (a) and (b) below.	Note 18	86,382,358	87,393,095
Stapled securities on issue at the end of the half-year used in calculating distribution per stapled security at (c) below.	Note 18	86,667,310	85,813,747
		<b>31 December 2008 Cents</b>	<b>31 December 2007 Cents</b>
(a) Basic and diluted earnings per stapled security		(56.65)	22.50
(b) Basic and diluted earnings per stapled security before fair value adjustments, non-cash amortisation of borrowing costs and prepaid advisory fees		19.77	10.73
(c) Fair value gains to investment properties identified for distribution	(g)	0.00	6.99
(d) Total available for distribution		19.77	17.72
(e) Distribution per stapled security		15.00	16.75
(f) Available and undistributed at the half-year		4.77	0.97
(g) Fair value gains to investment properties identified for distribution			

In 2007 ALE distributed 63.7% of the component of investment property valuation increases that were directly attributable to increases in net rent resulting from annual consumer price index (CPI) rent reviews (as opposed to movements attributable to capitalisation rates). \$6.026 million, or 6.99 cents per stapled security, was paid with the December 2007 total distribution of \$14.439 million, or 16.75 cents per stapled security. This policy has been discontinued and now distributions are based on available free cash flows.

# ALE Property Group

Half-Year Report for period ended 31 December 2008

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Note 10 Cash assets and cash equivalents</b>		
Cash at bank and in hand	11,481	908
Deposits at call	12,177	61
Cash reserve	5,500	7,558
	<b><u>29,158</u></b>	<b><u>8,527</u></b>

An amount of \$5.5 million is required to be held as a cash reserve as part of the terms of the CMBS and CIB issues in order to provide liquidity for CMBS and CIB obligations to scheduled maturities of 20 May 2011 and 20 November 2023 respectively and \$Nil (June 2008: \$2.058 million) of the cash reserve is required to be held as collateral for certain Trust interest rate derivatives.

During the period ended 31 December 2008 all cash assets were placed on deposit with Australian Government guaranteed banks.

### Note 11 Investment properties

Investment properties - at fair value	<b><u>819,990</u></b>	<b><u>820,270</u></b>
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#### Reconciliation

A reconciliation of the carrying amounts of investment properties at the beginning and end of the half-year is set out below:

Carrying amount at beginning of the half-year	820,270	813,888
Transfer of development properties following completion	6,686	
Acquisitions, inclusive of acquisition costs	8	17,938
Disposals	-	-
Net loss from fair value adjustments	(6,974)	(11,556)
<b>Carrying amount at the end of the half-year</b>	<b><u>819,990</u></b>	<b><u>820,270</u></b>

# ALE Property Group

Half-Year Report for period ended 31 December 2008

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 11 Investment properties (continued)

Property	Date acquired	Cost including additions \$'000	Valuation type and date	Fair Value	Fair Value	Fair Value
				at 31 December 2008 \$'000	at 30 June 2008 \$'000	gains/ (losses) half-year ending 31 December 2008 \$'000
<b>New South Wales</b>						
Blacktown Inn, Blacktown	Nov-03	5,472	C , A	8,210	8,080	130
Brown Jug Hotel, Fairfield Heights	Nov-03	5,660	D , B	8,400	8,390	10
Colyton Hotel, Colyton	Nov-03	8,208	C , A	12,140	12,030	110
Crows Nest Hotel, Crows Nest	Nov-03	8,772	D , B	13,040	13,080	(40)
Kirribilli Hotel, Kirribilli	Nov-03	5,849	C , A	8,430	8,390	40
Melton Hotel, Auburn	Nov-03	3,114	C , B	4,430	4,430	-
New Brighton Hotel, Manly	Nov-03	8,867	C , B	13,030	12,870	160
Pioneer Tavern, Penrith	Nov-03	5,849	D , B	8,350	8,210	140
Pritchard's Hotel, Mt Pritchard	Oct-07	21,127	C , B	20,090	20,440	(350)
Pymble Hotel, Pymble	Nov-03	2,830	C , B	3,750	3,740	10
Smithfield Tavern, Smithfield	Nov-03	4,151	C , A	6,350	6,260	90
<b>Total New South Wales properties</b>		<b>79,899</b>		<b>106,220</b>	<b>105,920</b>	<b>300</b>
<b>Queensland</b>						
Albany Creek Tavern, Albany Creek	Nov-03	8,396	C , B	11,220	11,360	(140)
Albion Hotel, Albion	Nov-03	4,434	C , B	6,420	6,740	(320)
Alderley Arms Hotel, Alderley	Nov-03	3,303	D , B	4,500	4,790	(290)
Anglers Arms Hotel, Southport	Nov-03	4,434	C , A	6,440	6,640	(200)
Balaclava Hotel, Cairns	Nov-03	3,304	C , B	4,530	4,700	(170)
Breakfast Creek Hotel, Breakfast Creek	Nov-03	10,659	C , B	13,670	13,890	(220)
Burleigh Hotel	Nov-08	6,686	E	9,260	-	2,574
Camp Hill Hotel, Camp Hill	Nov-03	2,265	D , B	3,350	3,340	10
CBX Caloundra Hotel, Caloundra	Oct-05	4,331	C , A	6,710	6,770	(60)
Chardons Corner Hotel, Annerley	Nov-03	1,416	C , A	1,890	1,990	(100)
Dalrymple Hotel, Townsville	Nov-03	3,208	C , B	4,440	4,550	(110)
Edge Hill Tavern, Manoora	Nov-03	2,359	C , B	3,740	3,780	(40)
Edinburgh Castle Hotel, Kedron	Nov-03	3,114	D , B	4,410	4,610	(200)
Ferny Grove Tavern, Ferny Grove	Nov-03	5,849	D , B	7,750	8,290	(540)
Four Mile Creek, Strathpine	Jun-04	3,672	D , B	5,450	5,900	(450)
Hamilton Hotel, Hamilton	Nov-03	6,604	C , B	8,090	8,580	(490)
Holland Park Hotel, Holland Park	Nov-03	3,774	C , A	5,760	5,930	(170)
Kedron Park Hotel, Kedron Park	Nov-03	2,265	C , B	3,010	3,190	(180)
Kirwan Tavern, Townsville	Nov-03	4,434	C , A	6,990	7,080	(90)
Lawnton Tavern, Lawnton	Nov-03	4,434	C , B	6,270	6,290	(20)
Miami Tavern, Miami	Nov-03	4,057	C , A	6,410	6,550	(140)
Mount Gravatt Hotel, Mount Gravatt	Nov-03	3,208	D , B	4,550	4,690	(140)
Mount Pleasant Tavern, Mackay	Nov-03	1,794	C , A	2,790	2,840	(50)
Noosa Reef Hotel, Noosa Heads	Jun-04	6,874	C , B	10,350	11,100	(750)
Nudgee Beach Hotel, Nudgee	Nov-03	3,020	D , B	4,550	4,530	20
Oxford 152, Bulimba	Nov-03	5,000	D , B	7,100	7,200	(100)
Palm Beach Hotel, Palm Beach	Nov-03	6,886	D , B	10,400	10,550	(150)
Pelican Waters, Caloundra	Jun-04	4,237	D , B	5,700	6,200	(500)
Prince of Wales Hotel, Nundah	Nov-03	3,397	C , A	5,040	5,090	(50)

# ALE Property Group

Half-Year Report for period ended 31 December 2008

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 11 Investment properties (continued)

Property	Date acquired	Cost including additions \$'000	Valuation type and date	Fair Value at 31 December 2008	Fair Value at 30 June 2008	Fair Value gains/ (losses) half-year ending 31 December 2008
				\$'000	\$'000	\$'000
Racehorse Hotel, Booval	Nov-03	1,794	C, A	2,350	2,590	(240)
Redland Bay Hotel, Redland Bay	Nov-03	5,189	C, A	7,700	7,620	80
Royal Exchange Hotel, Toowong	Nov-03	5,755	D, B	8,200	8,650	(450)
Springwood Hotel, Springwood	Nov-03	9,150	C, B	12,700	12,970	(270)
Stones Corner Hotel, Stones Corner	Nov-03	5,377	C, B	8,390	8,510	(120)
Sunnybank Hotel, Sunnybank	Nov-03	8,208	C, A	10,560	11,570	(1,010)
Vale Hotel, Townsville	Nov-03	5,661	C, A	8,900	8,990	(90)
Wilsonton Hotel, Toowoomba	Nov-03	4,529	C, A	6,520	6,580	(60)
<b>Total Queensland properties</b>		<b>173,077</b>		<b>246,110</b>	<b>244,650</b>	<b>(5,226)</b>
<b>South Australia</b>						
Aberfoyle Hub Tavern, Aberfoyle Park	Nov-03	3,303	D, B	4,840	4,810	30
Enfield Hotel, Clearview	Nov-03	2,454	C, B	3,680	3,710	(30)
Eureka Tavern, Salisbury	Nov-03	3,303	D, B	4,820	4,820	-
Exeter Hotel, Exeter	Nov-03	1,888	C, A	2,780	2,800	(20)
Finsbury Hotel, Woodville North	Nov-03	1,605	D, B	2,370	2,370	-
Gepps Cross Hotel, Blair Athol	Nov-03	2,171	C, A	3,300	3,290	10
Hendon Hotel, Royal Park	Nov-03	1,605	C, B	2,410	2,420	(10)
Ramsgate Hotel, Henley Beach	Nov-03	3,774	C, B	5,680	5,650	30
Stockade Tavern, Salisbury	Nov-03	4,435	C, A	6,680	6,650	30
<b>Total South Australian properties</b>		<b>24,538</b>		<b>36,560</b>	<b>36,520</b>	<b>40</b>
<b>Victoria</b>						
Ashley Hotel, Braybrook	Nov-03	3,963	D, B	5,930	5,790	140
Bayswater Hotel, Bayswater	Nov-03	9,905	D, B	15,450	14,520	930
Berwick Inn, Berwick	Feb-06	15,888	C, A	16,950	17,730	(780)
Blackburn Hotel, Blackburn	Nov-03	9,433	D, B	13,350	13,580	(230)
Blue Bell Hotel, Wendouree	Nov-03	1,982	C, A	3,030	3,040	(10)
Boundary Hotel	Jun-08	17,943	C, A	19,100	19,200	(108)
Burvale Hotel, Nunawading	Nov-03	9,717	C, A	14,430	14,540	(110)
Club Hotel, Ferntree Gully	Nov-03	5,095	C, B	7,400	7,380	20
Cramers Hotel, Preston	Nov-03	8,301	C, B	13,560	13,600	(40)
Daveys, Frankston	Nov-03	2,548	C, B	4,130	4,130	-
Deer Park Hotel, Deer Park	Nov-03	6,981	D, B	10,490	10,730	(240)
Doncaster Inn, Doncaster	Nov-03	12,169	C, B	17,200	17,210	(10)
Elsternwick Hotel, Elwood	Nov-03	3,303	C, A	4,760	4,800	(40)
Eltham Hotel, Eltham	Nov-03	4,717	D, B	7,210	7,300	(90)
Ferntree Gully Hotel/Motel, Ferntree Gully	Nov-03	4,718	C, B	7,830	7,830	-
Gateway Hotel, Corio	Nov-03	3,114	C, A	4,880	4,900	(20)
Keysborough Hotel, Keysborough	Nov-03	9,622	C, A	13,440	13,550	(110)
Mac's Melton Hotel, Melton	Nov-03	6,886	D, B	9,670	9,790	(120)
Meadow Inn Hotel/Motel, Fawkner	Nov-03	8,113	D, B	11,820	11,540	280
Mitcham Hotel, Mitcham	Nov-03	8,584	C, A	12,370	12,470	(100)
Morwell Hotel, Morwell	Nov-03	1,511	C, B	2,400	2,390	10

# ALE Property Group

Half-Year Report for period ended 31 December 2008

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 11 Investment properties (continued)

Property	Date acquired	Cost including additions \$'000	Valuation type and date	Fair Value	Fair Value	Fair Value
				at 31 December 2008 \$'000	at 30 June 2008 \$'000	gains/ (losses) half-year ending 31 December 2008 \$'000
Mountain View Hotel, Glen Waverly	Nov-03	7,169	C, B	11,580	11,590	(10)
Olinda Creek Hotel, Lilydale	Nov-03	3,963	C, B	5,690	5,680	10
Pier Hotel, Frankston	Nov-03	8,019	C, B	11,370	11,360	10
Plough Hotel, Mill Park	Nov-03	8,490	C, A	12,330	12,310	20
Prince Mark Hotel, Doveton	Nov-03	9,810	C, B	14,320	14,320	-
Rifle Club Hotel, Williamstown	Nov-03	2,737	D, B	4,320	4,420	(100)
Rose Shamrock & Thistle, Reservoir	Nov-03	2,642	D, B	3,900	3,990	(90)
Royal Hotel - Essendon, Essendon	Nov-03	4,340	D, B	6,510	6,410	100
Royal Exchange, Traralgon	Nov-03	2,171	C, A	3,430	3,440	(10)
Royal Hotel - Sunbury, Sunbury	Nov-03	3,114	C, A	4,330	4,350	(20)
Sandbelt Club Hotel, Moorabbin	Nov-03	10,849	C, A	16,880	16,920	(40)
Sandown Park Hotel/Motel, Noble Park	Nov-03	6,321	D, B	9,270	9,070	200
Sandringham Hotel, Sandringham	Nov-03	4,529	D, B	7,100	7,220	(120)
Somerville Hotel, Somerville	Nov-03	2,642	C, B	4,310	4,310	-
Stamford Inn, Rowville	Nov-03	12,733	C, A	18,650	18,690	(40)
Sylvania Hotel, Campbellfield	Nov-03	5,377	C, B	7,800	7,780	20
Tudor Inn, Cheltenham	Nov-03	5,472	D, B	8,240	8,120	120
The Vale Hotel, Mulgrave	Nov-03	5,566	C, B	8,280	8,290	(10)
Victoria Hotel, Shepparton	Nov-03	2,265	C, A	3,490	3,480	10
Village Green Hotel, Mulgrave	Nov-03	12,546	D, B	17,880	18,080	(200)
Westmeadows Tavern, Westmeadows	Nov-03	2,737	D, B	4,020	4,110	(90)
Young & Jacksons, Melbourne	Nov-03	6,132	C, A	8,120	8,090	30
<b>Total Victorian properties</b>		<b>284,117</b>		<b>407,220</b>	<b>408,050</b>	<b>(838)</b>
<b>Western Australia</b>						
Balmoral Hotel, East Victoria Park	Jul-07	6,377	D, B	5,680	6,280	(600)
The Brass Monkey Hotel, Northbridge	Nov-07	7,515	C, B	7,240	7,420	(180)
Queens Tavern, Highgate	Nov-03	4,812	D, A	6,860	7,230	(370)
Sail & Anchor Hotel, Fremantle	Nov-03	3,114	C, B	4,100	4,200	(100)
<b>Total Western Australian properties</b>		<b>21,818</b>		<b>23,880</b>	<b>25,130</b>	<b>(1,250)</b>
<b>Total investment properties</b>		<b>583,449</b>		<b>819,990</b>	<b>820,270</b>	<b>(6,974)</b>

#### Reconciliation of fair value gains/losses for half-year ending 31 December 2008

Fair value as 30 June 2008	820,270
Additions during half-year ended 31 December 2008	6,694
Carrying amount before 31 December 2008 valuations	826,964
Fair value at 30 June 2008	819,990
Fair value gain for half-year ended 31 December 2008	(6,974)

#### Valuation type and date

- A Independent valuations conducted during June 2008 with a valuation date of 30 June 2008.
- B Directors' valuations conducted June 2008 with a valuation date of 30 June 2008.
- C Directors' valuations conducted December 2008 with a valuation date of 31 December 2008.
- D Independent valuations conducted during December 2008 with a valuation date of 31 December 2008.
- E Acquisitions made during period, valuation at acquisition date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 11 Investment properties (continued)****Investment properties**

All investment properties are freehold and 100% owned by ALE and are comprised of land, buildings and fixed improvements. The plant and equipment, liquor, gaming licenses and certain development rights are held by the tenant.

**Leasing arrangements**

The majority of investment properties are leased to a single tenant under long-term "triple net" operating leases with rentals payable monthly in advance. ALE has incurred no lease incentive costs to date. The Balmoral, The Brass Monkey and Pritchard's Hotels are leased under long term "double net" operating leases.

**Valuation of investment properties**

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

**Independent valuations as at 30 June 2008**

In accordance with ALE's policy of independently valuing at least one-third of its property portfolio annually, 35 properties were independently valued as at 30 June 2008. The independent valuations are identified as "A" in the investment property table under the column labelled "Valuation type and date" (above). These valuations were completed by DTZ Australia (NSW) Pty Limited. As at 30 June 2008 the weighted average investment property capitalisation rate used to determine the value of the investment properties was 6.20% (2007: 6.07%).

**Directors' valuations as at 30 June 2008**

35 of ALE's portfolio of 102 completed properties (an additional three property acquisitions remain subject to completion, refer to Note 12) were independently valued as at 30 June 2008. The remaining 67 completed properties were subject to Directors' valuations as at 30 June 2008, identified as "B". The Directors' valuations were determined by taking each property's net rent as at 31 May 2008 and capitalising it at a rate equal to the latest independently determined capitalisation rate for that property adjusted by the average change in capitalisation rate evident in the 30 June 2008 independent valuations on a state by state basis.

**Independent valuations as at 31 December 2008**

35 of ALE's portfolio of completed properties were independently valued as at 31 December 2008. The independent valuations are identified as "C" in the investment property table under the column labelled "Valuation type and date" (above). These valuations were completed by DTZ Australia (NSW) Pty Limited. As at 31 December 2008 the weighted average investment property capitalisation rate used to determine the value of the investment properties was 6.54% (June 2008: 6.20%).

**Directors' valuations as at 31 December 2008**

35 of ALE's portfolio of 103 completed properties (an additional property acquisition remain subject to completion, refer to Note 12) were independently valued as at 31 December 2008. The remaining 68 completed properties were subject to Directors' valuations as at 31 December 2008, identified as "D". The Directors' valuations were determined by taking each property's net rent as at 30 November 2008 and capitalising it at a rate equal to the latest independently determined capitalisation rate for that property adjusted by the average change in capitalisation rate evident in the 31 December 2008 independent valuations on a state by state basis.

**Acquisitions made during the period**

Acquisitions completed during the period have been independently valued at the time of acquisition. The independent valuations are identified as "E" in the investment property table under the column labelled "Valuation type and date" (above). All of these valuations were completed by DTZ Australia (NSW) Pty Ltd.

**ALE Property Group**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

			<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Note 12 Loans and deposits - investment properties</b>				
<b>Non-Current</b>			<b>8,945</b>	<b>22,127</b>
<b>As at 31 December 2008</b>				
	<b>Deposits (10% of purchase price) \$'000</b>	<b>Loans (90% of purchase price) \$'000</b>	<b>Costs \$'000</b>	<b>Total acquisition costs \$'000</b>
<b>Property</b>				
<b>Non-current</b>				
Narrabeen Sands Hotel, Narrabeen	879	7,914	152	8,945
	<b>879</b>	<b>7,914</b>	<b>152</b>	<b>8,945</b>
<b>Total loans and deposits - investment properties</b>	<b>879</b>	<b>7,914</b>	<b>152</b>	<b>8,945</b>
<b>Total investment properties (note 11)</b>				<b>819,990</b>
<b>Total investment properties and loans and deposits - investment properties</b>				<b>828,935</b>
<b>As at 30 June 2008</b>				
	<b>Deposits (10% of purchase price) \$'000</b>	<b>Loans (90% of purchase price) \$'000</b>	<b>Costs \$'000</b>	<b>Total acquisition costs \$'000</b>
<b>Property</b>				
<b>Non-current</b>				
Burleigh Heads Hotel, Burleigh Heads	658	5,914	114	6,686
Narrabeen Sands Hotel, Narrabeen	879	7,914	152	8,945
Parkway Hotel, Frenchs Forest	638	5,748	110	6,496
	<b>2,175</b>	<b>19,576</b>	<b>376</b>	<b>22,127</b>
<b>Total loans and deposits - investment properties</b>	<b>2,175</b>	<b>19,576</b>	<b>376</b>	<b>22,127</b>
<b>Total investment properties (note 11)</b>				<b>820,270</b>
<b>Total investment properties and loans and deposits - investment properties</b>				<b>842,397</b>

ALE paid deposits and made loans to subsidiaries of Foster's Group Limited during November 2003 at values equal to the purchase prices in the conditional sale contracts for each of the properties. ALE received a monthly interest on the loans equal to the rent otherwise payable on the properties. As at 31 December 2008 the only remaining development property was the Narrabeen Sands Hotel.

ALE sold its interest in the Parkway Hotel in July 2008 for \$8.45 million, resulting in a \$1.9 million profit on book value. This sale represented a capitalisation rate of 5.91% on the commencing rental under the conditional sale contract.

On 7 November 2008 the purchase of the Burleigh Heads Hotel was completed and title was transferred to ALE. ALE completed a directors' valuation of the hotel that valued the hotel at \$9.26 million resulting in a surplus on book value of \$2.574 million. The valuation represented a capitalisation rate of 6.38% on the commencing rental under the conditional sale contract.



**ALE Property Group**

Half-Year Report for period ended 31 December 2008

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Note 13 Borrowings</b>		
<b>Current Borrowings</b>	<u>-</u>	<u>8,450</u>
<b>Non-current borrowings</b>	<u>601,655</u>	<u>564,593</u>
Comprising:		
<b>Current</b>		
Loan at call - ALH	<u>-</u>	<u>8,450</u>
<b>Non-current</b>		
CIB - maturing November 2023 (a)	136,804	132,492
CMBS - maturing May 2011 (b)	244,451	244,345
ALE Notes - maturing September 2011 (c)	147,287	146,252
CPI Hedge - maturing November 2023 (d)	12,227	5,593
CPI Hedge - maturing May 2023 (e)	6,119	-
NAB Working capital facility - maturing May 2011 (f)	54,767	35,911
	<u>601,655</u>	<u>564,593</u>
	-	-
<b>CIB</b>		
Opening balance	132,492	130,803
Accumulating indexation	4,299	1,678
Amortisation of prepaid borrowing establishment costs capitalised	13	11
<b>Closing balance</b>	<u>136,804</u>	<u>132,492</u>
	-	-
<b>CMBS</b>		
Opening balance	244,345	244,243
Amortisation of prepaid borrowing establishment costs capitalised	106	102
<b>Closing balance</b>	<u>244,451</u>	<u>244,345</u>
	-	-
<b>ALE Notes</b>		
Opening balance	146,252	145,270
Amortisation of prepaid borrowing establishment costs capitalised	782	741
Premium payable at maturity - accrued	253	241
<b>Closing balance</b>	<u>147,287</u>	<u>146,252</u>
	-	-
<b>CPI Hedge - Maturing November 2023</b>		
Opening balance	5,593	737
Accumulating indexation	6,632	4,890
Prepaid borrowing establishment costs capitalised	-	(36)
Amortisation of prepaid borrowing establishment costs capitalised	2	2
<b>Closing balance</b>	<u>12,227</u>	<u>5,593</u>
	-	-
<b>CPI Hedge - Maturing May 2023</b>		
Opening balance	-	-
Accumulating indexation	6,131	-
Prepaid borrowing establishment costs capitalised	(12)	-
Amortisation of prepaid borrowing establishment costs capitalised	-	-
<b>Closing balance</b>	<u>6,119</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 13 Borrowings (continued)****NAB Facility**

Opening balance	35,911	25,877
Drawdown - January 2008	-	10,000
Drawdown - July 2008	19,000	-
Prepaid borrowing establishment costs capitalised	(275)	(40)
Amortisation of prepaid borrowing establishment costs capitalised	131	74
<b>Closing balance</b>	<b>54,767</b>	<b>35,911</b>

**(a) CIB**

A fixed rate of interest of 3.40% p.a. (including credit margin) applies to the CIB and is payable quarterly with the outstanding balance of the CIB accumulating quarterly in line with the national consumer price index. The total amount of the accumulating indexation is not payable until maturity of the CIB in November 2023.

**(b) CMBS**

\$245 million CMBS were issued between May 2006 and August 2007, with a scheduled maturity of May 2011. ALE's \$245 million of CMBS variable base interest rate exposure is fully hedged up until November 2023. Refer Note 7 for details of hedging arrangements.

**(c) ALE Notes**

\$150 million of ALE Notes were issued on 7 November 2003 with a scheduled maturity date of 30 September 2011. A fixed rate interest of 7.265% is payable semi-annually on the Notes. A 2.5% redemption premium of \$3.75 million is also payable on the maturity date. ALE's \$150 million of ALE Notes base interest rate exposure (and any debt facility that replaces it) is fully hedged up until November 2023. Refer Note 7 for details of hedging arrangements.

**(d) CPI Hedge - CMBS**

A fixed rate of interest of 3.61% p.a. applies to the CPI Hedge and is payable quarterly with the notional balance of the CPI Hedge escalating quarterly in line with the national consumer price index. The increase in the outstanding balance is referred to as accumulating indexation and is not payable until maturity of the CPI Hedge in November 2023 (or earlier five yearly break dates). Refer Note 7 for details of hedging arrangements.

**(e) CPI Hedge - ALE Notes/ NAB Facility**

A fixed rate of interest of 3.77% p.a. applies to the CPI Hedge and is payable quarterly with the notional balance of the CPI Hedge escalating quarterly in line with the national consumer price index. The increase in the outstanding balance is referred to as accumulating indexation and is not payable until maturity of the CPI Hedge in November 2023 (or earlier five year extension dates). Refer Note 7 for details of hedging arrangements.

**(f) NAB Facility**

In October 2007 ALE established a \$55 million facility with National Australia Bank. The NAB facility has a floating interest rate and has a maturity date of May 2011. ALE's \$55 million of variable base interest rate exposure (and any debt facility that replaces it) is fully hedged up until May 2023. Refer Note 7 for details of hedging arrangements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 13 Borrowings (continued)****Assets pledged as securities**

The ALE Notes, NAB Facility and CPI Hedges are unsecured. The carrying amounts of assets pledged as security as at balance date for CMBS borrowings, CIB borrowings, and certain interest rate derivatives are:

	<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Current assets</b>		
Cash reserve	<u>5,500</u>	<u>7,558</u>
<b>Non-current assets</b>		
Total investment properties and loans and deposits	828,935	842,397
<i>Less: Properties not subject to mortgages</i>		
Boundary Hotel, Bentleigh East, VIC	(19,100)	(19,200)
Pritchard's Hotel, Mt Pritchard, NSW	(20,090)	(20,440)
Balmoral Hotel, East Victoria Park, WA	-	(6,280)
The Brass Monkey Hotel, Northbridge, WA	<u>(7,240)</u>	<u>(7,420)</u>
<b>Properties subject to first mortgages</b>	<u><b>782,505</b></u>	<u><b>789,057</b></u>
<b>Total assets</b>	<u><b>788,005</b></u>	<u><b>796,615</b></u>

During the period the Balmoral Hotel was added to the assets pledged as security to replace the Parkway Hotel following its sale in July 2008.

In the event of a default by the properties' tenant, Australian Leisure and Hospitality Group Limited (ALH), then if the assets pledged as security are insufficient to fully repay CMBS and CIB borrowings, the CMBS and CIB holders are also entitled to recover certain unpaid amounts from the business assets of ALH.

	<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Note 14 Contributed equity</b>		
Balance at the beginning of the period	60,384	61,847
Dividend Reinvestment Plan - Implementation costs	-	(34)
Stapled securities issued under Dividend Reinvestment Plan	2,365	-
Stapled securities cancelled as part of on-market security buyback	-	(1,429)
Stapled securities issued under ALE Executive Performance Rights Plan	6	-
	<u><b>62,755</b></u>	<u><b>60,384</b></u>

**Movements in the number of fully paid stapled securities during the period were as follows:**

	<b>Number of Stapled Securities</b>	<b>Number of Stapled Securities</b>
Stapled securities on issue:		
Balance at the beginning of the period	85,813,747	86,206,283
Stapled securities issued under Dividend Reinvestment Plan	850,399	-
Stapled securities cancelled as part of on-market security buyback	-	(392,536)
Stapled securities issued under ALE Executive Performance Rights Plan	<u>3,164</u>	<u>-</u>
<b>Balance at the end of the period</b>	<u><b>86,667,310</b></u>	<u><b>85,813,747</b></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 14 Contributed equity (continued)****Stapled securities issued**

Each stapled security comprises one share in the Company and one unit in the Trust. They cannot be traded or dealt with separately. Stapled securities entitle the holder to participate in dividends/distributions and the proceeds on any winding up of ALE in proportion to the number of and amounts paid on the securities held. On a show of hands every holder of stapled securities present at a meeting in person or by proxy, is entitled to one vote. On a poll each ordinary shareholder is entitled to one vote for each fully paid share and each unitholder is entitled to one vote for each fully paid unit.

**No income voting units (NIVUS)**

The Trust issued 9,080,010 of no income voting units (NIVUS) to the Company fully paid at \$1.00 each in November 2003. The NIVUS are not stapled to shares in the Company, have an issue and withdrawal price of \$1.00, carry no rights to income from the Trust and entitle the holder to no more than \$1.00 per NIVUS upon the winding-up of the Trust. The Company has a voting power of 10.48% in the Trust as a result of the issue of NIVUS. The NIVUS are disclosed in the Company and the Trust financial reports but are not disclosed in the ALE Property Group financial report as they are eliminated on consolidation.

**On Market Stapled Security buyback**

On 2 May 2007 the company announced its intention to buy back up to 9,080,010 stapled securities on market. Between 2 May 2007 and 2 May 2008 the company purchased and cancelled 5,286,353 stapled securities. Contributed equity was reduced by the total cost of \$21,704,000.

	<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Note 15 Retained profits</b>		
Balance at the beginning of the half-year	203,318	230,901
Profit attributable to stapled security holders of ALE	<u>(48,935)</u>	<u>(13,123)</u>
Total available for appropriation	154,383	217,778
Distributions provided for or paid during the half-year	<u>(13,000)</u>	<u>(14,460)</u>
<b>Balance at the end of the half-year</b>	<b><u>141,383</u></b>	<b><u>203,318</u></b>

	<b>31 December 2008 \$'000</b>	<b>31 December 2007 \$'000</b>
<b>Note 16 Reconciliation of profit after income tax to net cash inflows from operating activities</b>		
Profit for the half-year	(48,935)	19,660
Fair value adjustment to investment property	6,974	(9,458)
Fair value adjustment to derivative financial instruments	52,327	(6,051)
Profit on disposal of investment property	(1,911)	
Finance costs - amortisation	1,286	1,080
Finance costs - accumulating indexation	17,062	2,461
Stapled security based payments expense	62	127
Depreciation	23	25
Decrease/(Increase) in receivables	(737)	(809)
Decrease/(Increase) in current tax asset	-	(2)
Decrease/(Increase) in other assets	(561)	151
Increase/(Decrease) in deferred tax asset	(4,415)	8
Increase/(Decrease) in payables	(1,573)	444
Increase/(Decrease) in other liabilities	(201)	1
Increase/(Decrease) in deferred tax liability	(5,322)	1,424
<b>Net cash inflow from operating activities for the half-year</b>	<b><u>14,079</u></b>	<b><u>9,061</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Note 17 Net Assets per Stapled Security</b>		
Net Assets at Balance date	<u>204,421</u>	<u>263,923</u>
Per stapled security on issue	\$2.36	\$3.08
Net Assets at Balance date, excluding Derivatives	<u>245,994</u>	<u>253,168</u>
Per stapled security on issue	\$2.84	\$2.95
<b>Note 18 Earnings per stapled security</b>		
	<b>31 December 2008 Cents</b>	<b>31 December 2007 Cents</b>
Basic and diluted earnings per stapled security	(56.65)	22.50
	<b>Number of stapled securities</b>	<b>Number of stapled securities</b>
Weighted average number of stapled securities used as the denominator in calculating earnings per stapled security	<u>86,382,358</u>	<u>87,393,095</u>
Weighted average number of stapled securities and potential stapled securities used as the denominator in calculating diluted earnings per stapled security	<u>86,382,358</u>	<u>87,393,095</u>

**Note 19 Contingent liabilities and contingent assets****Put and call option**

For all of the investment properties (except Balmoral Hotel, Pritchards Hotel and The Brass Monkey), at the end of the initial lease term of 25 years (2028 for most of the portfolio), and at the end of each further term (four ten year terms), there is a call option for the landlord (or its nominee) and a put option for the tenant to require the landlord (or its nominee) to buy plant, equipment, goodwill, inventory, all then current consents, licences, permits, certificates, authorities or other approvals, together with any liquor licence, held by the tenant in relation to the premises. The gaming licence is to be included or excluded at the tenant's option. These assets are to be purchased at current value as determined by the valuation methodology set out in the lease. The landlord must pay the purchase price on expiry of the lease.

**Bank guarantee**

The Company has entered into a bank guarantee of \$58,135 in respect of its office tenancy at Level 7, 1 O'Connell Street Sydney. This guarantee may give rise to a liability if the Company does not meet its obligations under the terms of the lease.

**Note 20 Investments in controlled entities**

The Trust owns 100% of the issued equity of the Sub-Trust. The Sub-Trust owns 100% of the issued equity of the Finance Company. The Trust owns none of the issued equity of the Company, but is deemed to be its "acquirer" under AIFRS.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**Note 21 Segment information****Business segment**

ALE operates solely in the property investment and property funds management industry and has no business segmentation.

**Geographical segment**

ALE owns property solely within Australia.

**Note 22 Events occurring after reporting date**

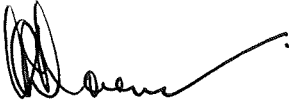
The directors are not aware of any matter or circumstance occurring after balance date which may materially affect the state of affairs of ALE and are not aware of any matter or circumstance occurring after balance date which may materially affect ALE's operations or the results of those operations.

### Directors' declaration

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 25 are in accordance with the *Corporations Act 2001* including:
  - (a) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the six month period ended on that date: and
  - (b) complying with Australian Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



P Warne  
Director  
Sydney

Dated this 25th day of February 2009



## **Independent auditor's review report to the stapled security holders of ALE Property Group**

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of ALE Property Group, which comprises the consolidated balance sheet as at 31 December 2008, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a summary of accounting policies and other explanatory notes 1 to 22 and the directors' declaration of the stapled entity comprising the Australian Leisure and Entertainment Property Management Limited and Australian Leisure and Entertainment Property Trust and the entities it controlled at the half-year's end or from time to time during the half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of Australian Leisure and Entertainment Property Management Limited, the Responsible Entity of the Australian Leisure and Entertainment Property Trust, are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of ALE Property Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.





*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ALE Property Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the ALE Property Group's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature of the KPMG firm, written in dark ink.

KPMG

A handwritten signature in dark ink, appearing to read 'Steve A Gatt'.

Steve A Gatt  
*Partner*

Sydney

25 February 2009

# ALE Property Group

Half-Year Report for period ended 31 December 2008

## INVESTOR INFORMATION

### Stock Exchange Listing

The ALE Property Group (ALE) is listed on the Australian Stock Exchange (ASX). Its stapled securities are listed under ASX code: LEP and its ALE Notes are listed under ASX code: LEPHB.

### Distribution Reinvestment Plan

ALE has established a distribution reinvestment plan. Details of the plan are available on the ALE website.

### Electronic Payment of Distributions

Security holders may nominate a bank, building society or credit union account for payment of distributions by direct credit. Payments are electronically credited on the payment dates and confirmed by mailed advice.

Security holders wishing to take advantage of payment by direct credit should contact the registry for more details and to obtain an application form.

### Publications

The Annual Review and Annual Report are the main sources of information for stapled security holders. In August each year the Annual Review, Annual Report and Full Year Financial Report, and in February each year, the Half-Year Financial Report are released to the ASX and posted on the ALE website. The Annual Review and Annual Report are both mailed to stapled security holders unless requested not to do so. The Full Year and Half-Year Financial Reports are only mailed on request. Periodically ALE may also send releases to the ASX covering matters of relevance to investors. These releases are also posted on the ALE website and may be distributed by email to holders by registering on ALE's website. **The election by holders to receive communications electronically is encouraged by ALE.**

### Website

The ALE website, [www.alegroup.com.au](http://www.alegroup.com.au), is a useful source of information for security holders. It includes details of ALE's property portfolio, current activities and future prospects. ASX announcements are also included on the site on a regular basis.

### Annual Tax Statement

Accompanying the final stapled security distribution payment, normally in August each year, will be an annual tax statement which details the tax concessional and deferred tax components of the year's distribution.

### Distributions

Stapled security distributions may be paid twice yearly, normally in February and August.

### Security Holder Enquiries

Please contact the registry if you have any questions about your holding or payments.

## CORPORATE DIRECTORY

### Registered Office

Level 7, 1 O'Connell Street  
Sydney NSW 2000  
Telephone (02) 8231 8588

### Company Secretary

Mr Brendan Howell  
Level 7, 1 O'Connell Street  
Sydney NSW 2000  
Telephone (02) 8231 8588

### Auditors

KPMG  
10 Shelley Street  
Sydney NSW 2000

### Lawyers

Allens Arthur Robinson  
Level 28, Deutsche Bank Place  
Sydney NSW 2000

### Custodian (of Australian Leisure and Entertainment Property Trust)

Trust Company of Australia Limited  
Level 4, 35 Clarence Street  
Sydney NSW 2000

### Trustee (of ALE Direct Property Trust)

Trust Company Fiduciary Services Limited  
Level 4, 35 Clarence Street  
Sydney NSW 2000

### Registry

Computershare Investor Services Pty Ltd  
Reply Paid GPO Box 7115  
Sydney NSW 2000

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Telephone 1300 302 429  
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